

Message Text

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65

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 XMB-04

/109 W

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P R 182050Z JUL 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 0444

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 5970

E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: BRAZIL TAKES MEASURES TO CONTAIN TRADE DEFICIT

1. IN AN EFFORT TO CONTAIN THE TRADE DEFICIT IN FUTURE MONTHS, THE NATIONAL MONETARY COUNCIL DECIDED ON JULY 17, 1975, TO TAKE THE FOLLOWING ADDITIONAL MEASURES TO REDUCE IMPORTS AND STIMULATE EXPORTS:

A. INSTITUTION OF 100 PERCENT PRIOR DEPOSIT REQUIREMENTS ON IMPORTS OF ITEMS WHOSE TARIFF RATE IS 37 PERCENT OR HIGHER (THESE ITEMS HAVE BEEN TERMED BY THE BRAZILIANS AS SUPERFLUOUS PRODUCTS.) AT THE SAME TIME, THE CENTRAL BANK HAS ELIMATED THE REQUIREMENT, IMPOSED LAST FEBRUARY, THAT IMPORTERS CLOSE OUT THEIR FOREIGN EXCHANGE CONTRACTS BEFORE THESE IMPORTS CLEAR CUSTOMS. IN EFFECT, THIS LATTER MEASURE PERMITS IMPORTERS ONCE AGAIN TO OBTAIN FOREIGN FINANCING FOR THIS CATEGORY OF IMPORTS. HOWEVER, FOR SUCH IMPORTS RECEIVING MEDIUM AND LONG-TERM (PRESUMABLY OVER ONE YEAR) FOREIGN FINANCING, THE PRIOR DEPOSIT

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IS NOT REPEAT NOT REQUIRED. THE DEPOSIT IS TO

EQUAL THE FOB PRICE OF THE GOODS IMPORTED AND IS TO BE HELD AT THE CENTRAL BANK (INTEREST FREE) FOR 180 DAYS.

B. INCREASED THE CENTRAL BANK LINE OF CREDIT FOR LOW COST (8 PERCENT) EXPORT FINANCING (RESOLUTION 71 CREDITS) TO CR\$4.3 BILLION FROM CR\$2.1 BILLION. IN ADDITION, THE PORTION OF EXPORTS FINANCED WAS INCREASED TO 80 PERCENT (FROM 60 PERCENT) AND THE MATURITY PERIOD TO 180 DAYS (FROM 120 DAYS).

C. APPROVED A LINE OF CREDIT FOR CR\$1.5 BILLION TO FINANCE TRADING COMPANIES, AND RE-ACTIVATED AN EXISTING CR\$600 MILLION FUND TO REDISCOUNT PROMISSORY NOTES ISSUED BY TRADING COMPANIES OR BY PRODUCER EXPORTERS. BOTH OF THESE CREDITS SHORT TERM, CARRYING A RATE OF INTEREST OF 8 PERCENT. THIS IS THE FIRST EFFECTIVE FINANCIAL ASSISTANCE BEING PROVIDED TO TRADING COMPANIES. (FOR SOME REASON THE CENTRAL BANK HAD NEVER IMPLEMENTED A 1973 DIRECTIVE TO FINANCE THE OPERATIONS OF THESE INSTITUTIONS).

2. AN ANALYSIS OF THESE MEASURES WILL FOLLOW, ALONG WITH TRANSLATIONS OF APPROPRIATE DECREES. CRIMMINS

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